CRAF's Issuer Rating

1. **Background**

CareEdge Africa (CRAF) Issuer Rating (CIR) is an issuer-specific assessment of credit risk. While the scope of CIR is similar to the long-term instrument ratings, the main difference between CIR and other instrument ratings is that CIR is not instrument-specific but issuer-oriented. Issuer rating factors in expected performance of the entity over a medium-term time horizon of around three years and reflects the capability of the entity as regards timely servicing of its financial obligations. In this assessment, CRAFs specifies a debt level or gearing level upto which the rating is valid. Once accepted, the rating is subject to periodic reviews. If the rated entity wishes to get the CIR withdrawn, it is required to provide a written request to CRAFs for withdrawal, and CRAFs shall withdraw the rating as per CRAF'S withdrawal policy (please refer to the CRAF's Credit Rating process document on CRAF website: www.careratingsafrica.com). CRAFs attaches a suffix 'Is' to its issuer ratings. CRAF symbols and definitions for Issuer ratings are as under:

Methodology

2.1. Manufacturing/Services/Infrastructure Companies

The methodology mainly focuses on the entity's future cash generation capability and consequently its ability to honour its financial obligations. The methodology for undertaking CIR of manufacturing/services/infrastructure companies is similar to the methodology applied for conventional ratings. Please refer to CRAF website (www.careratingsafrica.com) for the respective methodologies:

- Rating Methodology - Manufacturing companies
- Rating Methodology – Service Sector companies
- Rating Methodology – Infrastructure sector ratings

Also, sector-specific methodologies shall be referred to while assigning CIR to an entity belonging to a particular sector.

2.2 Banks, Financial Institutions and NBFCs

Issuer rating of Banks, Non-Banking Finance Companies (NBFCs) or Financial Institutions (FI) depends on a range of quantitative and qualitative factors and methodology adopted would be similar to CRAF methodology on rating Banks and CRAF methodology on rating NBFCs, which are available on our website (www.careratingsafrica.com).

The Issuer rating process is ultimately an assessment of the fundamentals and the probabilities of change in the fundamentals. Rating determination is a matter of experienced and holistic judgment of the Rating Committee based on the relevant quantitative and qualitative factors affecting the credit quality of the issuer.

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CRAF (AFRICA) PRIVATE LIMITED

Corporate Office: 5th FLOOR, MTML SQUARE, 63, CYBER CITY, EBENE MAURITIUS

CIN: 127054 I BRN: C14127054 I FSC License No.: CR14000001

Connect:

Locations: Ebene

Saurav Chatterjee

Director & Chief Executive Officer

+ 230 5862 6551

+ 230 5955 3060

Vidhyasagar Lingesan, CFA, FRM

Chief Rating Officer

+ 230 5273 1406

+ 230 5955 3060

Naveen Kumar Dhondy

Rating Head

+ 230 5955 3060

About:

CareEdge is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics and CRAF (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CRAF (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

CRAF's shareholders are CRAF Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CRAF Limited on an ongoing basis. CRAF Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

CRAF's Rating Committee consist of full-time members comprising of Senior Rating officials from CRAF Limited and a panel of experienced professionals from Mauritius and African Development Bank.

CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.